

**STATE OF ILLINOIS  
SECRETARY OF STATE  
SECURITIES DEPARTMENT**

**IN THE MATTER OF: MARTIN S. SANDS**

**FILE NO. 0400325**

**NOTICE OF HEARING**

TO THE RESPONDENT:    Martin S. Sands  
                                  (CRD #1186904)  
                                  35 Farewell Lane  
                                  Greenwich, Connecticut 06831

                                  C/o Sands Brothers & Co., Ltd.  
                                  90 Park Avenue  
                                  39<sup>th</sup> Floor  
                                  New York, New York 10016

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, subpart K, a public hearing will be held at 69 West Washington Street, 12<sup>th</sup> Floor, Chicago, Illinois 60602, on the 27<sup>th</sup> day of October, 2004, at the hour of 10:00 a.m., or as soon as possible thereafter, before James G. Athas, Esq. or such other duly designated Hearing Officer of the Secretary of State.

Said hearing will be held to determine whether an Order shall be entered revoking Martin S. Sands' (the "Respondent"), registration as a salesperson in the State of Illinois and/or granting such other relief as may be authorized under the Act including but not limited to the imposition of a monetary fine in the maximum amount pursuant to Section 11.E(4) of the Act, payable within ten (10) business days of the Order.

The grounds for such proposed action are as follows:

1.     That at all relevant times, the Respondent was registered with the Secretary of State as a salesperson in the State of Illinois pursuant to Section 8 of the Act.

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2. That on December 18, 2003 an Exchange Hearing Panel of the New York Stock Exchange Inc. (NYSE) accepted a Stipulation of Facts and Consent to Penalty entered into between the Exchange's Division of Enforcement and the Respondent (Decision) in File No. 03-222 which imposed the following sanctions:
  - a. Censure;
  - b. Barred for a period of four months from membership, allied membership, approved person status, and from employment or association in any capacity with any member organization; and
  - c. Fined the amount of \$50,000.
3. That the Decision found:
  - a. In or about November of 2000, the Respondent acted as the registered representative who handled the account of the Customer, the Chairman and Chief Executive Officer of XYZ, Inc. (the "Company"), a company traded on the NASDAQ.
  - b. On November 29, 2000, at approximately 8:33 a.m., the Respondent contacted the Customer and recommended that he purchase one million shares of the Company on the open market in the Customer's account with the Firm.
  - c. Thereafter, at approximately 10:06 a.m., the Customer authorized the Respondent to purchase one million shares of the Company stock in his account and provided the Respondent with time and price discretion.
  - d. The Respondent instructed the Firm's equity trading desk at approximately 10:20 a.m., to purchase one million shares of the Company for the Customer. Thereafter, the Respondent was updated on the status of the Customer's order and directed the continued purchase of shares of the Company to fill the order.
  - e. By 12:28 p.m., the Firm had purchased approximately 651,000 shares of the Company for the Customer, at a total cost of approximately \$7.2 million. Firm personnel informed the Respondent at that time that an additional 349,000 shares of the Company remained to be purchased, and the Respondent directed personnel at the Firm to complete the Customer's order.

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- f. At approximately 12:35 p.m., the Respondent instructed the Firm's options trading desk to purchase 250 January 10<sup>th</sup> calls in the Company at a strike price of \$10 for an account for the benefit of members of the Respondent's family.
  - g. The Firm's options trading desk purchased 100 Company options for such account at approximately 12:45 p.m. and 150 Company call options for such account at approximately 12:47 p.m., at a total cost of approximately \$56,250.
  - h. Between 12:28 p.m. and 1:50 p.m., the equity trading desk completed the Customer's order by effecting six additional purchases of Company stock at various times in various sizes totaling 349,000 shares at a total cost of approximately \$3.9 million. During this period, the equity trading desk updated The Respondent on the status of the Customer's order on several occasions. At approximately 1:50 p.m., the equity trading desk informed The Respondent of the completion of the Customer's order when the last shares of the Company were purchased.
  - i. At the time the options were purchased for the family related account, the Respondent knew or was reckless in not knowing that a significant portion of the Customer's order to purchase shares in the Company had not been completed.
  - j. On November 30, 2000, the Firm's compliance department detected that the Respondent had purchased the 250 call options prior to the completion of the Customer's order. Upon review, the Firm canceled the Respondent's call option purchases, which had resulted in an unrealized profit of approximately \$14,687; moved the trade to the Firm's error account; and reported the matter to the Exchange.
  - k. That by virtue of the foregoing, the Respondent engaged in conduct inconsistent with just and equitable principles of trade in that he purchased options in a particular stock for an account for the benefit of members of his family prior to the completion of an order by a customer to purchase one million shares of such stock, when he knew or was reckless in not knowing that a significant portion of the customer's order had not been completed.
4. That Section 8.E(1)(j) of the Act provides, inter alia, that the registration of a salesperson may be revoked if the Secretary of State finds that such salesperson has been suspended by any self-regulatory organization

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registered under the Federal 1934 Act or the Federal 1974 Act arising from any fraudulent or deceptive act or a practice in violation of any rule, regulation or standard duly promulgated by the self-regulatory organization.

5. That the NYSE is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act.
6. That by virtue of the foregoing, the Respondent's registration as a salesperson in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(j) of the Act.

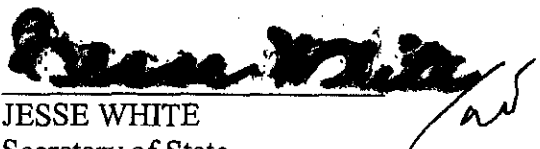
You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

Furthermore, you may be requested by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default, unless any Respondent has upon due notice moved for and obtained a continuance.

A copy of the Rules, promulgated under the Act and pertaining to Hearings held by the Office of the Secretary of State, Securities Department, is included with this Notice.

Delivery of notice to the designated representative of any Respondent constitutes service upon such Respondent.

DATED: This 8<sup>th</sup> day of September 2004.

  
JESSE WHITE  
Secretary of State  
State of Illinois

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Attorney for the Secretary of State:

Daniel Tunick  
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Illinois Securities Department  
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Hearing Officer:

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